

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Montmorency Township	County Montmorency
Fiscal Year End 3/31/07	Opinion Date 7/10/07	Date Audit Report Submitted to State 7/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, PC		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number #1101008247

**Montmorency Township
Montmorency County, Michigan
Financial Report
With Supplemental Information
March 31, 2007**

Montmorency Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Montmorency Township
Montmorency County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montmorency Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Montmorency Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montmorency Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 21-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Montmorency Township's basic financial statements. The items identified as other supplemental information in the table of contents are not a required part of the basic financial statements of Montmorency Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
July 10, 2007

Management's Discussion and Analysis

As management of Montmorency Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$951,631 (*net assets*). Of this amount, \$815,133 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$94,846.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$571,787, an increase of \$27,294 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$571,787 or 217% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, community/economic development, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire & Ambulance, Transfer Site, and Local Street Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$951,631 at the close of the most recent fiscal year.

A portion of the Township's net assets (14%) reflects its investment in capital assets (e.g., land, land improvements, buildings, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental	Activities
	March 31, <u>2007</u>	March 31, <u>2006</u>
Current and Other Assets	\$ 816,169	\$ 744,945
Capital Assets, Net	<u>136,498</u>	<u>112,645</u>
Total Assets	<u>952,667</u>	<u>857,590</u>
Current Liabilities	1,036	805
Long Term Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>1,036</u>	<u>805</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	136,498	112,645
Unrestricted	<u>815,133</u>	<u>744,140</u>
Total Net Assets	\$ <u>951,631</u>	\$ <u>856,785</u>

The Township's net assets increased by \$94,846 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$70,993 or 10%, during fiscal year 2007.

Township's Changes in Net Assets

	<u>Governmental</u> March 31, <u>2007</u>	<u>Activities</u> March 31, <u>2006</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 33,406	\$ 33,439
Operating Grants and Contributions	-0-	-0-
General Revenue:		
Property Taxes	173,023	172,284
State-Shared Revenues	111,333	111,753
Interest and Rent Earnings	14,599	11,929
Other	<u>1,955</u>	<u>858</u>
Total Revenue	334,316	330,263
Expenses:		
General Government	118,349	108,996
Public Safety	52,110	53,750
Public Works	39,895	35,638
Community/Economic Development	9,581	8,787
Other	<u>19,535</u>	<u>19,702</u>
Total Expenses	<u>239,470</u>	<u>226,873</u>
Increase in Net Assets	94,846	103,390
Net Assets, Beginning of Year	<u>856,785</u>	<u>753,395</u>
Net Assets, End of Year	\$ <u><u>951,631</u></u>	\$ <u><u>856,785</u></u>

Governmental activities. The Township's total governmental revenues increased by \$4,053 from last fiscal year. This was primarily attributed to additional revenue from interest earnings. Expenses increased by \$12,597. The increase was primarily due to increased general government expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$815,133, an increase of \$70,993 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$815,133.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, \$571,787, represents 217% and total fund balance, \$571,787 represents 217% of total general fund expenditures.

The fund balance of the General Fund increased by \$27,294 during the current fiscal year.

The Fire & Ambulance Fund levied .7401 mills of property tax. The property tax generated \$50,759 of revenue for the year ended March 31, 2007. The fund balance of the Fire & Ambulance Fund decreased by \$1,262 during the current fiscal year.

The Transfer Site Fund levied .9683 mill of property tax. The property tax generated \$66,423 of revenue for the year ended March 31, 2007. The fund balance of the Transfer Site Fund increased by \$38,769 during the current fiscal year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire & Ambulance, Transfer Site and Local Street Funds. The General Fund budget was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$136,498 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, furniture and equipment, and infrastructure. Additions totaled \$30,573, the majority of which was for infrastructure, for the fiscal year.

Township's Capital Assets (net of depreciation)

	March 31, <u>2007</u>	March 31, <u>2006</u>
Land	\$ 19,361	\$ 19,361
Land Improvements	1,650	1,750
Buildings	33,656	35,169
Furniture and Equipment	7,374	8,331
Infrastructure	<u>74,457</u>	<u>48,034</u>
Total	\$ <u><u>136,498</u></u>	\$ <u><u>112,645</u></u>

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report. The Township did not have any outstanding debt at March 31, 2007.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The Township has anticipated a slight increase in revenue due to growth in the taxable value of the Township generating an increase in property taxes. The Township has contracted with the County Road Commission for some road improvements and the budget shows an increase in expenditures for roads of \$20,000 and an overall inflationary increase in other areas. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Montmorency Township
P.O. Box 457
20841 N. County Road 459
Hillman, Michigan 49746

Basic Financial Statements

Montmorency Township
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 781,581
Receivables: (Note 4)	
Other	89
Intergovernmental	30,665
Due from Fiduciary Fund	317
Prepaid expenses	3,517
Capital assets-net (Note 5)	<u>136,498</u>
 Total assets	 <u>952,667</u>
 Liabilities	
Current Liabilities:	
Accounts payable	1,036
Deferred revenue	-
Total current liabilities	<u>1,036</u>
 Total liabilities	 <u>1,036</u>
 Net Assets	
Invested in capital assets	136,498
Unrestricted	<u>815,133</u>
 Total net assets	 \$ <u><u>951,631</u></u>

See accompanying notes to financial statements.

Montmorency Township
Statement of Activities
Year Ended March 31, 2007

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 118,349	\$ 33,406	\$ -	\$ (84,943)
Public safety	52,110	-	-	(52,110)
Public works	39,895	-	-	(39,895)
Community/Economic development	9,581	-	-	(9,581)
Other	19,535	-	-	(19,535)
Total governmental activities	<u>\$ 239,470</u>	<u>\$ 33,406</u>	<u>\$ -</u>	<u>(206,064)</u>
General Revenues:				
Property taxes - operating				55,889
Property taxes - fire & ambulance				50,738
Property taxes - transfer site				66,396
State-shared revenues				111,333
Interest and investment earnings				14,599
Other				1,955
Total general revenues				<u>300,910</u>
Change in Net Assets				94,846
Net assets - beginning of year				<u>856,785</u>
Net assets - end of year				<u>\$ 951,631</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 70,993
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (6,720)
Capital outlay	<u>30,573</u>
	<u>23,853</u>
Change in Net Assets of Governmental Activities	<u>\$ 94,846</u>

See accompanying notes to financial statements.

Montmorency Township
Governmental Funds
Balance Sheet
March 31, 2007

	General Fund	Fire & Ambulance Fund	Transfer Site Fund	Nonmajor Local Street Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 547,786	\$ 44,638	\$ 156,423	\$ 32,734	\$ 781,581
Accounts receivable	35	23	31	-	89
Due from other funds	317	-	-	-	317
Due from other governmental units	21,168	4,114	5,383	-	30,665
Prepaid expenses	3,517	-	-	-	3,517
Total assets	<u>\$ 572,823</u>	<u>\$ 48,775</u>	<u>\$ 161,837</u>	<u>\$ 32,734</u>	<u>\$ 816,169</u>
Liabilities					
Accounts payable	\$ 1,036	\$ -	\$ -	\$ -	\$ 1,036
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>1,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036</u>
Fund balances					
Unreserved:					
Undesignated:					
General Fund	571,787	-	-	-	571,787
Special Rev. Funds	-	48,775	161,837	32,734	243,346
Total fund balances	<u>571,787</u>	<u>48,775</u>	<u>161,837</u>	<u>32,734</u>	<u>815,133</u>
Total liabilities and fund balances	<u>\$ 572,823</u>	<u>\$ 48,775</u>	<u>\$ 161,837</u>	<u>\$ 32,734</u>	<u>\$ 816,169</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 815,133
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	195,928
Accumulated depreciation is	(59,430)
 Net Assets of Governmental Activities	 <u><u>\$ 951,631</u></u>

See accompanying notes to financial statements.

Montmorency Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2007

	General Fund	Fire & Ambulance Fund	Transfer Site Fund	Nonmajor Local Street Fund	Total Governmental Funds
Revenues					
Taxes and penalties	\$ 77,913	\$ 50,738	\$ 66,396	\$ -	\$ 195,047
Licenses and permits	1,650	-	-	-	1,650
State grants	111,333	-	-	-	111,333
Charges for services	9,732	-	-	-	9,732
Interest and rentals	12,015	110	2,336	138	14,599
Other revenue	1,955	-	-	-	1,955
Total revenues	<u>214,598</u>	<u>50,848</u>	<u>68,732</u>	<u>138</u>	<u>334,316</u>
Expenditures					
Current:					
General government	114,152	-	-	-	114,152
Public safety	52,110	-	-	-	52,110
Public works	37,372	-	-	-	37,372
Community/Econ. Develop.	9,581	-	-	-	9,581
Other	19,535	-	-	-	19,535
Capital outlay	30,573	-	-	-	30,573
Total expenditures	<u>263,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,323</u>
Excess of Revenues Over (Under) Expenditures	(48,725)	50,848	68,732	138	70,993
Other Financing Sources (Uses)					
Operating transfers in	82,073	-	-	6,054	88,127
Operating transfers (out)	(6,054)	(52,110)	(29,963)	-	(88,127)
Total other financing sources (uses)	<u>76,019</u>	<u>(52,110)</u>	<u>(29,963)</u>	<u>6,054</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,294	(1,262)	38,769	6,192	70,993
Fund balance - April 1, 2006	<u>544,493</u>	<u>50,037</u>	<u>123,068</u>	<u>26,542</u>	<u>744,140</u>
Fund balance - March 31, 2007	<u>\$ 571,787</u>	<u>\$ 48,775</u>	<u>\$ 161,837</u>	<u>\$ 32,734</u>	<u>\$ 815,133</u>

See accompanying notes to financial statements.

Montmorency Township
Fiduciary Funds
Statement of Net Assets
March 31, 2007

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ 317
Due from other funds	-
Total assets	\$ 317
Liabilities	
Due to other funds	\$ 317
Due to other governments	-
Total liabilities	317
Net Assets	\$ -

See accompanying notes to financial statements.

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Montmorency Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire and Ambulance Fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

The Transfer Site Fund is used to record property tax revenue and interest earnings restricted for transfer site use.

Additionally, the Township reports the following funds:

The Local Street Fund accounts for amounts set aside for road repairs and improvements.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2006 taxable value of the Township was \$68,596,142. The 2006 tax levy was .8035 mills for general operating purposes raising \$55,117, .7401 mills for fire and ambulance services raising \$50,759, and .9683 mills for transfer site services raising \$66,423.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office equipment and furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township does not have any reserved fund balance at March 31, 2007. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance at March 31, 2007.

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Other Financing Sources			
Operating transfers out	\$ -	\$ 6,054	\$ 6,054

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Montmorency Township's deposits and investment policy are in accordance with statutory authority.

The Township's investment policy has not been updated to comply with Governmental Accounting Standards Board statement #40.

At year-end, Montmorency Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 781,581	\$ 317	\$ 781,898
Investments	-	-	-
Total	\$ 781,581	\$ 317	\$ 781,898

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 781,898
Investments	-
	\$ 781,898

The deposits of the Township were reflected in the accounts of four financial institutions, of which \$342,960 is covered by federal depository insurance.

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

	General Fund	Fire & Ambulance Fund	Transfer Site Fund	Tax Collection Fund	Total
Receivables:					
Other	\$ 35	\$ 23	\$ 31	\$ -	\$ 89
Intergovernmental	21,168	4,114	5,383	-	30,665
	<u>\$ 21,203</u>	<u>\$ 4,137</u>	<u>\$ 5,414</u>	<u>\$ -</u>	<u>\$ 30,754</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at March 31, 2007.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets not being depreciated:				
Land	\$ 19,361	\$ -	\$ -	\$ 19,361
Capital assets being depreciated:				
Land improvements	7,123	-	-	7,123
Buildings	61,024	-	-	61,024
Furniture & equipment	27,377	1,627	-	29,004
Infrastructure	50,470	28,946	-	79,416
Subtotal	<u>145,994</u>	<u>30,573</u>	<u>-</u>	<u>176,567</u>
Accumulated Depreciation				
Land improvements	5,373	100	-	5,473
Buildings	25,855	1,513	-	27,368
Furniture & equipment	19,046	2,584	-	21,630
Infrastructure	2,436	2,523	-	4,959
Subtotal	<u>52,710</u>	<u>6,720</u>	<u>-</u>	<u>59,430</u>
Net capital assets being depreciated	<u>93,284</u>	<u>23,853</u>	<u>-</u>	<u>117,137</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 112,645</u>	<u>\$ 23,853</u>	<u>\$ -</u>	<u>\$ 136,498</u>

Montmorency Township
Notes to Financial Statements
March 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,197
Public works	2,523
Total governmental activities	<u>\$ 6,720</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General	\$ 317	Current Tax Collection	\$	317
	-			
Total	<u>\$ 317</u>	Total	<u>\$</u>	<u>317</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
Local Street Fund	\$ 6,054	General Fund	\$	6,054
General Fund	82,073	Fire & Ambulance Fund		52,110
		Transfer Site Fund		29,963
	<u>\$ 88,127</u>		<u>\$</u>	<u>88,127</u>

Note 7 - Risk Management

Montmorency Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

The Township has a defined contribution retirement plan that covers all elected officials. The elected official pays 25% and the Township pays 75% of the required contribution. The plan also allows the employee to make voluntary contributions of up to 10% of covered compensation. The plan is administered by Burnham & Flowers Agency. All contributions are immediately vested.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township's total payroll for the year ended March 31, 2007 was approximately \$87,797. The Township made the required contribution of \$11,175 for the plan year ended January 31, 2007.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township . The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Required Supplemental Information

Montmorency Township
Budgetary Comparison Schedule - General Fund
Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>2007</u>	<u>2007</u>	Amounts	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Over (Under)</u>
Fund Balance - Beginning of year	\$ 537,973	\$ 537,973	\$ 544,493	\$ 6,520
Resources (Inflows)				
Taxes and fees	81,300	81,300	77,913	(3,387)
Licenses and permits	2,500	2,500	1,650	(850)
State grants	112,500	112,500	111,333	(1,167)
Charges for services	9,500	9,500	9,732	232
Interest and rentals	8,000	8,000	12,015	4,015
Other	500	500	1,955	1,455
Transfers in	115,110	115,110	82,073	(33,037)
Amounts available for appropriation	<u>867,383</u>	<u>867,383</u>	<u>841,164</u>	<u>(26,219)</u>
Charges to Appropriations (Outflows)				
General government	127,550	130,803	114,152	(16,651)
Public safety	52,110	52,110	52,110	-
Public works	58,000	54,300	37,372	(16,928)
Community/Economic development	13,000	13,116	9,581	3,535
Other	21,700	22,031	19,535	(2,496)
Capital outlay	35,000	35,000	30,573	(4,427)
Transfers out	-	-	6,054	6,054
Total charges to appropriations	<u>307,360</u>	<u>307,360</u>	<u>269,377</u>	<u>(30,913)</u>
Fund Balance - end of year	\$ <u>560,023</u>	\$ <u>560,023</u>	\$ <u>571,787</u>	\$ <u>4,694</u>

Montmorency Township
Budgetary Comparison Schedule - Fire and Ambulance Fund
Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	2007	2007	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 37,241	\$ 37,241	\$ 50,037	\$ 12,796
Resources (Inflows)				
Taxes and fees	48,000	48,000	50,738	2,738
Interest and rentals	-	-	110	110
Amounts available for appropriation	<u>85,241</u>	<u>85,241</u>	<u>100,885</u>	<u>15,644</u>
Charges to Appropriations (Outflows)				
Public safety	-	-	-	-
Transfers out	<u>52,110</u>	<u>52,110</u>	<u>52,110</u>	<u>-</u>
Total charges to appropriations	<u>52,110</u>	<u>52,110</u>	<u>52,110</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 33,131</u>	<u>\$ 33,131</u>	<u>\$ 48,775</u>	<u>\$ 15,644</u>

Montmorency Township
Budgetary Comparison Schedule - Transfer Site Fund
Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	2007	2007	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 62,103	\$ 62,103	\$ 123,068	\$ 60,965
Resources (Inflows)				
Taxes and fees	60,000	60,000	66,396	6,396
Interest and rentals	-	-	2,336	2,336
Amounts available for appropriation	<u>122,103</u>	<u>122,103</u>	<u>191,800</u>	<u>69,697</u>
Charges to Appropriations (Outflows)				
Public safety	-	-	-	-
Transfers out	<u>36,000</u>	<u>36,000</u>	<u>29,963</u>	<u>(6,037)</u>
Total charges to appropriations	<u>36,000</u>	<u>36,000</u>	<u>29,963</u>	<u>(6,037)</u>
Fund Balance - end of year	<u>\$ 86,103</u>	<u>\$ 86,103</u>	<u>\$ 161,837</u>	<u>\$ 75,734</u>

Supplemental Information

Montmorency Township
General Fund
Statement of Revenues and Other Financing Sources - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
TAXES:			
Property taxes	\$	\$ 55,889	\$
Property tax administration		22,024	
TOTAL TAXES	<u>81,300</u>	<u>77,913</u>	<u>(3,387)</u>
LICENSES AND PERMITS:			
Licenses and permits	<u>2,500</u>	<u>1,650</u>	<u>(850)</u>
STATE GRANTS:			
State shared revenues		81,770	
Swampland tax		25,749	
Metro Act		3,814	
TOTAL STATE GRANTS	<u>112,500</u>	<u>111,333</u>	<u>(1,167)</u>
CHARGES FOR SERVICES:			
Cemetery lot sales		-	
Dog License fees		2	
Summer tax collection		9,730	
TOTAL CHARGES FOR SERVICES	<u>9,500</u>	<u>9,732</u>	<u>232</u>
INTEREST AND RENTALS:			
Interest		11,890	11,890
Township hall rental		125	
TOTAL INTEREST AND RENTALS	<u>8,000</u>	<u>12,015</u>	<u>11,890</u>
OTHER REVENUE			
Reimbursements		-	
Other		1,955	
TOTAL OTHER REVENUE	<u>500</u>	<u>1,955</u>	<u>1,455</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>115,110</u>	<u>82,073</u>	<u>(33,037)</u>
TOTAL REVENUES	<u>\$ 329,410</u>	<u>\$ 296,671</u>	<u>\$ (24,864)</u>

Montmorency Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Legislative			
Trustee wages	\$	\$ 5,200	\$
Meetings		1,280	
Office supplies		2,132	
Postage		4,425	
Training and travel		265	
Total Legislative	<u>16,700</u>	<u>13,302</u>	<u>3,398</u>
Supervisor			
Salary		11,000	
Meetings		640	
Training and travel		166	
Total Supervisor	<u>12,220</u>	<u>11,806</u>	<u>414</u>
Elections			
Wages		2,873	
Supplies		2,015	
Training and travel		635	
Printing & publishing		16	
Total Elections	<u>7,600</u>	<u>5,539</u>	<u>2,061</u>
Assessor			
Salary		14,000	
Deputy salary		15,000	
Supplies		580	
Training and travel		472	
Total Assessor	<u>30,180</u>	<u>30,052</u>	<u>128</u>
Clerk			
Salary		11,000	
Meetings		280	
Deputy wages		40	
Supplies		101	
Training and travel		459	
Total Clerk	<u>13,299</u>	<u>11,880</u>	<u>1,419</u>

Montmorency Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Board of Review			
Meetings	\$	\$ 868	\$
Training and travel		367	
Total Board of Review	<u>1,250</u>	<u>1,235</u>	<u>15</u>
General Services			
Legal fees		300	
Auditor		385	
Data processing		9,679	
Printing and publishing		438	
Dues		1,324	
Total General Services	<u>13,100</u>	<u>12,126</u>	<u>974</u>
Treasurer			
Salary		11,000	
Meetings		120	
Deputy wages		-	
Salary summer tax collection		6,000	
Supplies		763	
Training and travel		1,388	
Total Treasurer	<u>21,500</u>	<u>19,271</u>	<u>2,229</u>
Townhall			
Wages		630	
Natural gas		1,372	
Electricity		690	
Snow removal		210	
Telephone		1,959	
Mileage		26	
Maintenance		2,391	
Miscellaneous		109	
Total Townhall	<u>12,400</u>	<u>7,387</u>	<u>5,013</u>
Cemetery			
Wages		300	
Contractual services		1,254	
Total Cemetery	<u>2,554</u>	<u>1,554</u>	<u>1,000</u>
TOTAL GENERAL GOVERNMENT	<u>130,803</u>	<u>114,152</u>	<u>16,651</u>

Montmorency Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY			
Fire and Ambulance services	\$ 52,110	\$ 52,110	\$ -
TOTAL PUBLIC SAFETY	<u>52,110</u>	<u>52,110</u>	<u>-</u>
PUBLIC WORKS			
Road repair and improvement	<u>18,300</u>	<u>6,900</u>	<u>11,400</u>
Transfer Site			
Contractual services		19,483	
Ordinance officers		9,300	
Snow removal		455	
Equipment and improvement		1,234	
Total Transfer Site	<u>36,000</u>	<u>30,472</u>	<u>5,528</u>
TOTAL PUBLIC WORKS	<u>54,300</u>	<u>37,372</u>	<u>16,928</u>
COMMUNITY/ECONOMIC DEVELOPMENT			
Zoning			
Wages		7,500	
Wages - Deputy		469	
Meetings and planning commission		40	
Board of Appeals meetings		440	
Training and travel		1,116	
Printing and publishing		16	
Total Zoning	<u>13,116</u>	<u>9,581</u>	<u>3,535</u>
TOTAL COMMUNITY/ECONOMIC DEVELOPMENT	<u>13,116</u>	<u>9,581</u>	<u>3,535</u>
OTHER			
Pension	14,000	12,259	-
Medicare	900	973	-
Social Security	1,631	1,742	-
Insurance and bonds	<u>5,500</u>	<u>4,561</u>	<u>-</u>
TOTAL OTHER	<u>22,031</u>	<u>19,535</u>	<u>2,496</u>
CAPITAL OUTLAY	<u>35,000</u>	<u>30,573</u>	<u>4,427</u>
TOTAL EXPENDITURES	<u>307,360</u>	<u>263,323</u>	<u>44,037</u>
OTHER FINANCING USES			
Operating transfers out	-	6,054	-
Total Other Financing Uses	<u>-</u>	<u>6,054</u>	<u>(6,054)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ <u>307,360</u>	\$ <u>269,377</u>	\$ <u>37,983</u>

Montmorency Township
Local Street Fund
Statement of Revenues, Expenditures, Other Financing Sources (Uses) and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ -	\$ 138	\$ 138
Total Revenues	<u>-</u>	<u>138</u>	<u>138</u>
EXPENDITURES			
Public Works			
Roads	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>138</u>	<u>138</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	35,000	6,054	(28,946)
Operating transfers (out)	<u>(27,000)</u>	<u>-</u>	<u>27,000</u>
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>6,054</u>	<u>(1,946)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	8,000	6,192	(3,754)
FUND BALANCE - April 1, 2006	<u>26,542</u>	<u>26,542</u>	<u>-</u>
FUND BALANCE - March 31, 2007	\$ <u><u>34,542</u></u>	\$ <u><u>32,734</u></u>	\$ <u><u>(1,808)</u></u>

Montmorency Township
Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended March 31, 2007

		Current Tax Collection Fund		
		Balance April 1, 2006	Additions	Deductions
				Balance March 31, 2007
Assets				
Cash	\$	<u>-</u>	<u>\$ 2,096,240</u>	<u>\$ 2,095,923</u>
				<u>\$ 317</u>
Liabilities				
Due to other funds	\$	-	\$ 182,734	\$ 182,417
Due to county		-	802,732	802,732
Due to schools		-	1,105,169	1,105,169
Refunds		-	5,605	5,605
		<u>-</u>	<u>5,605</u>	<u>5,605</u>
Total liabilities	\$	<u>-</u>	<u>\$ 2,096,240</u>	<u>\$ 2,095,923</u>
				<u>\$ 317</u>